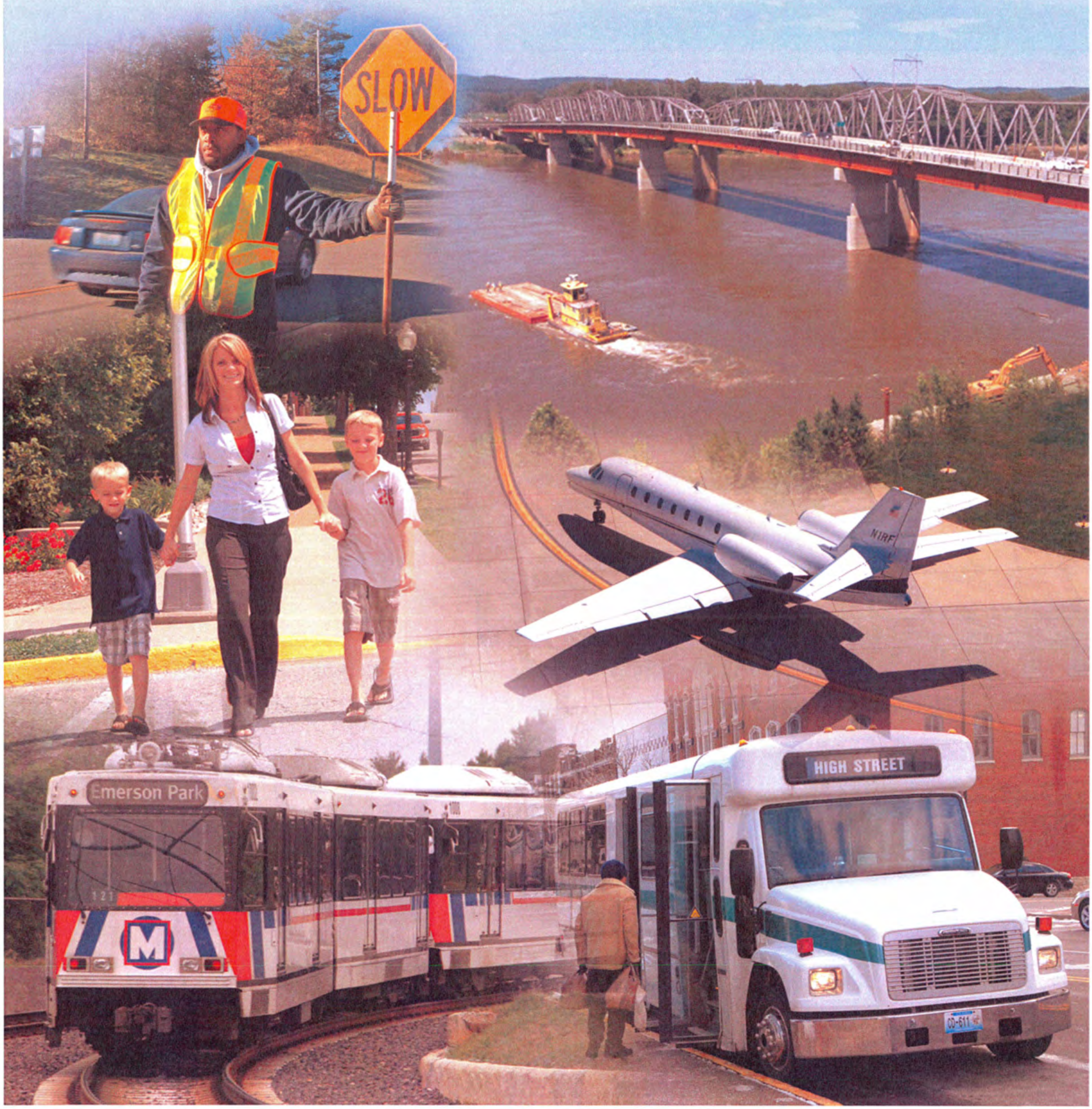
Comprehensive
ANNUAL Financial Report

For the fiscal year ended June 30, 2009

MTFC
Missouri Transportation Finance Corporation
A component unit of the State of Missouri



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Comprehensive Annual Financial Report

for the fiscal year ended

June 30, 2009

Roberta Broeker, CPA, Executive Director
and Brenda Morris, CPA, Treasurer

Prepared by the Controller's Division
Missouri Department of Transportation

Missouri Transportation Finance Corporation
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Jefferson City, MO 65102
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MTFC

Missouri Transportation Finance Corporation

a component unit of the State of Missouri

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Introductory Section

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August 21, 2009

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

The Missouri Transportation Finance Corporation (MTFC) is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the MTFC for the fiscal year ended June 30, 2009.

The Transportation Equity Act of the Twenty-first Century (TEA-21) Cooperative Agreement between the Federal Highway Administration, the Federal Transit Administration and the Federal Railroad Administration, agencies of the United States Department of Transportation, the Missouri Highways and Transportation Commission (MHTC), and the MTFC requires the MTFC to have an annual independent financial and compliance audit. In fulfillment of this requirement, the MTFC prepared this CAFR, and contracted with the independent auditing firm of Williams Keepers LLC to audit the financial statements.

Generally accepted accounting principles (GAAP) require management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MTFC's MD&A can be found immediately following the report of the independent auditors, beginning on page 19.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the MTFC. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and is reported in a manner designed to present fairly the MTFC's financial position and results of operations. All disclosures necessary to enable the reader to gain an understanding of the MTFC's financial activities have been included.

Profile of the MTFC

The MTFC, incorporated in August 1996 as a not-for-profit corporation, derived its authority to form and operate from the TEA-21. The Cooperative Agreement provided the original capitalization for the entity, a mixture of federal and state funds, to administer a program focused on funding Missouri highway and transportation projects by offering financing options such as low interest direct loans to private and public entities. An eight member Board of Directors administers the MTFC and is responsible for the direction of the entity, including approval of all loans.

Internal Controls

The MTFC is responsible for establishing and maintaining internal controls designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Those controls also assure the reliability of financial records for preparing financial statements and maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by the MTFC Board. All internal control evaluations occur within this framework. The MTFC believes the corporation's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Economic Outlook

The current state of transportation funding is uncertain and the national economy remains weakened. The state revenues designated for transportation (motor fuel taxes, motor vehicle sales and use taxes, and motor vehicle and driver's licensing fees) declined by 4.9 percent ($51.9 million) in fiscal year 2009 compared to fiscal year 2008. In September 2008, the Federal Highway Trust Fund needed a transfer of $8.0 billion in general revenue to remain solvent. In February 2009, the President signed the American Recovery and Reinvestment Act (ARRA) into law. Nationwide, transportation accounted for $48.0 billion of the $787.0 billion provided under ARRA, or 6.0 percent of the total. The current national highway act will expire September 30, 2009 and no action has been taken to approve the next authorization act. Current discussions include a possible extension of the current highway act for 18 months, along with another transfer in the amount of $20.0 billion to the Federal Highway Trust Fund.

Despite the uncertainty of transportation funding, the need for transportation projects still exists. The weakened economy has increased competition among construction contractors and driven down the cost for projects. Using financing tools, such as MTFC loans, allows entities to fund projects today and take advantage of this highly competitive environment while protecting itself from future inflation.

Future of MTFC

Interest in MTFC loans has increased in the last several years and the MTFC expects the interest to continue. The ability of the MTFC to meet this rising demand hinges on the amount of available funding for loans. The MTFC net assets have increased over the last three years primarily as a result of income derived from investments. The growth is expected to slow as loans are disbursed and interest rates on investments decline. The MTFC continues to explore options for additional capitalization. Also, the MTFC is exploring ways to leverage its future cash flows to provide other financing options to entities, such as loan guarantees.

Initiatives

The Missouri Department of Transportation's Resource Management staff is responsible for marketing MTFC loans as a transportation project funding option. They accomplish this activity by:

- Maintaining information about the MTFC on the Partnership Development Website,
- Attending, presenting and exhibiting at local government and economic development conferences,
- Educating partners,
- Preparing newsletters to communicate activity to potential customers.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the MTFC for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the first year the MTFC received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The timely preparation of this report was achieved by the dedicated service of the Missouri Department of Transportation's Resource Management and Controller's Division staff who are responsible for MTFC administrative activities. We would like to express appreciation to members of the staff who assisted and contributed to this report.

Sincerely,

Roberta Broeker

Roberta Broeker, CPA
Executive Director

Brenda Morris

Brenda Morris, CPA
Treasurer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Missouri Transportation Finance Corporation

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

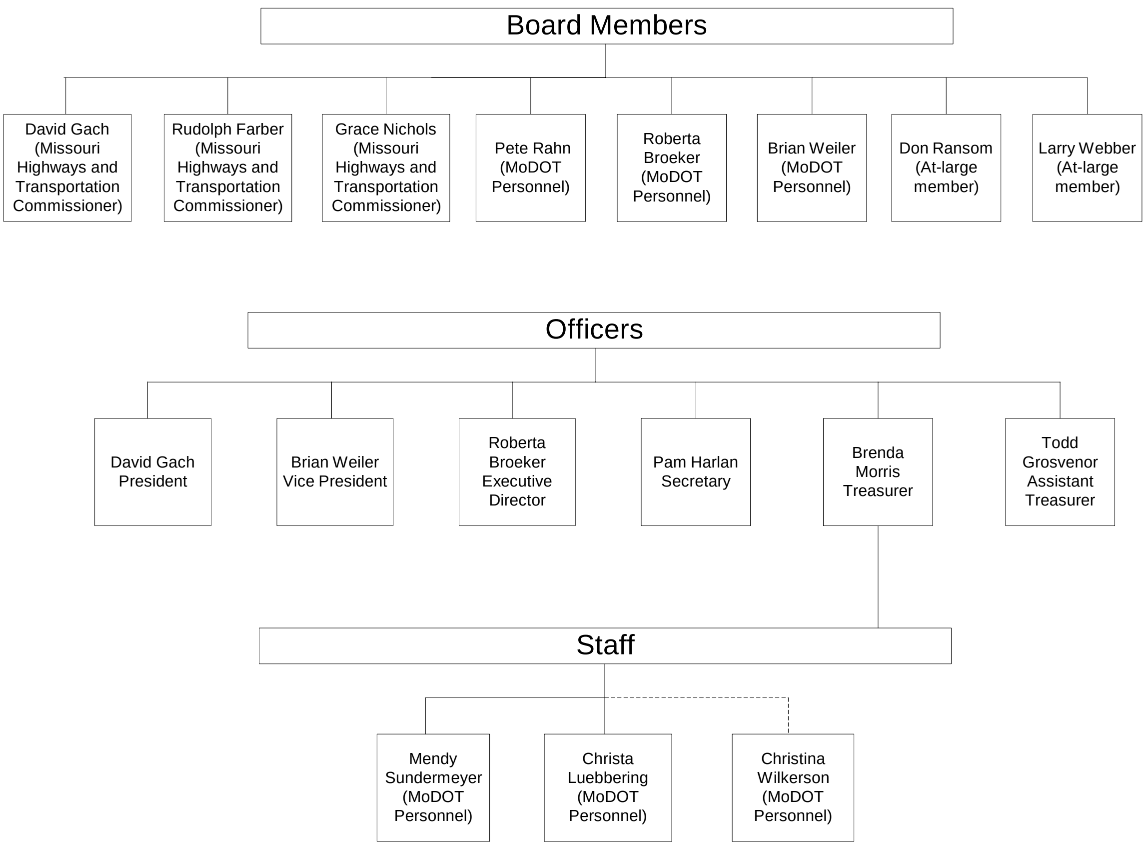
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Organizational Chart

June 30, 2009



MoDOT – Missouri Department of Transportation

Principal Officials

Fiscal Year 2009

MTFC Title	Name	MoDOT Title
President	David Gach	MHTC Commissioner
Vice President	Brian Weiler	Multimodal Director
Executive Director	Roberta Broeker	Chief Financial Officer
Secretary	Pam Harlan	Secretary to the MHTC Commission
Treasurer	Brenda Morris	Resource Management Director
Assistant Treasurer	Todd Grosvenor	Financial Resource Administrator

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Financial Section

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WILLIAMS KEEPERS LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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phone (573) 442-6171 fax (573) 777-7800

3220 West Edgewood, Suite E, Jefferson City, MO 65109
phone (573) 635-6196 fax (573) 644-7240

www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

We have audited the accompanying financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Corporation's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the business-type activities of the Corporation as of June 30, 2009 and 2008, and the changes in net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2009, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 19 through 22 are not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

We did not audit the information included in the introductory and statistical sections of this report and, therefore, express no opinion thereon.

Williams-Keepers LLC

August 21, 2009

Management's Discussion and Analysis

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Management's Discussion and Analysis

The following section of our annual financial report presents our discussion and analysis of the MTFC's financial performance during the year. It is intended to provide an objective and easily readable analysis of the MTFC's financial activities based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the information presented in the financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- During fiscal year 2009, the MTFC approved eleven loans totaling $23.7 million. Some of these loans were disbursed in fiscal year 2009 with the remaining loans scheduled for disbursement in fiscal year 2010. The fiscal year 2009 approved loan amount is significantly more than fiscal year 2008 when three loans totaling $10.3 million were approved. In fiscal year 2007, fourteen loans totaling $95.8 million were approved.

- Disbursements totaling $18.8 million for eleven loans were made in fiscal year 2009. In fiscal year 2008, four loans totaling $8.1 million were disbursed and in fiscal year 2007, two loans totaling $7.4 million were disbursed.

- In fiscal year 2009, five entities with approved loans totaling $13.2 million determined they did not need the loans. Three entities determined they needed $4.9 million less than their originally approved amount. In fiscal years 2008 and 2007, two entities with approved loans totaling $4.5 million and two entities with approved loans totaling $1.6 million, respectively, determined they did not need the loans. In fiscal years 2008 and 2007, no entity requested a lesser amount.

- The MTFC's net loans receivable increased $10.4 million from fiscal year 2008 to 2009 as loan disbursements exceeded loan repayments. From fiscal year 2007 to 2008 loan repayments exceeded loan disbursements causing a decrease of $6.7 million in net loans receivable.

- Operating income decreased $196,000 from fiscal year 2008 to 2009 primarily as a result of a decrease in interest income on outstanding loans. From fiscal year 2007 to 2008 an increase in interest income on outstanding loans resulted in an increase of $165,000 in operating income.

- Net non-operating revenues decreased $499,000, 20.8 percent, from fiscal year 2008 to 2009 and $539,000, 18.3 percent, from fiscal year 2007 to 2008. The decrease in both fiscal years was primarily due to the reduction in the fair value of investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the MTFC's basic financial statements, which are comprised of two components: 1) financial statements and 2) notes to the financial statements.

Financial Statements report information about the MTFC through accounting methods used by private-sector companies, the economic resources measurement focus and accrual basis of accounting. These statements provide short- and long-term information about the financial status of the MTFC.

The *Statements of Net Assets* include all MTFC assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the MTFC is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Net Assets* account for all revenues and expenses of the MTFC as soon as the event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The *Statements of Cash Flows* provide readers the sources and uses of cash, and the changes in the cash balance during the year.

Notes to the Financial Statements provide additional information and discuss particular accounts in more detail. The Notes are essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

Table 1

MTFC Net Assets
June 30, 2009, 2008, and 2007
(dollars in thousands)

	2009	2008	2007
Assets			
Cash and investments	$10,223	$ 9,503	$ 8,681
Restricted cash and investments	49,435	57,975	48,867
Interest receivable on loans and investments	1,004	896	727
Loans receivable, net	28,276	17,835	24,513
Total Assets	88,938	86,209	82,788
Liabilities			
Due to Missouri Department of Transportation	4	4	7
Net Assets			
Restricted for lending purposes	78,278	76,311	73,852
Unrestricted net assets	10,656	9,894	8,929
Total Net Assets	$88,934	$86,205	$82,781

Assets

Restricted cash and investments decreased $8.6 million in fiscal year 2009 from fiscal year 2008 as loan disbursements exceeded loan repayments. In fiscal year 2008, restricted cash and investments increased $9.1 million from fiscal year 2007 as loan repayments exceeded loan disbursements. In fiscal year 2009, net loans receivable increased $10.4 million as loan disbursements of $18.8 million exceeded loan repayments of $8.4 million. In fiscal year 2008, net loans receivable decreased $6.7 million as loan repayments of $14.8 million exceeded loan disbursements of $8.1 million.

Net Assets

As shown in table 1, net assets increased $2.7 million in fiscal year 2009. This increase results primarily from $844,000 in loan interest and $1.9 million in investment earnings net of the reduction in the market value of investments and investment fees. In fiscal year 2008, net assets increased $3.4 million for similar reasons.

Table 2

MTFC Changes in Net Assets
Years ended June 30, 2009, 2008, and 2007
(dollars in thousands)

	2009	2008	2007
Operating revenues			
Interest income	$ 844	$ 1,064	$ 913
Other income	43	6	5
Total operating revenues	887	1,070	918
Operating expenses			
Administrative fees	48	33	45
Other operating expenses	13	15	16
Total operating expenses	61	48	61
Nonoperating revenues, net of expenses	1,903	2,402	2,941
Net income	2,729	3,424	3,798
Net assets at beginning of year	86,205	82,781	78,983
Net assets at end of year	$88,934	$86,205	$82,781

Revenues

In fiscal years 2009, 2008 and 2007, the MTFC's primary sources of income included interest earned on loans and earnings on investments. In fiscal year 2009, interest income on loans recognized as operating revenue decreased $220,000 while in fiscal year 2008 interest income increased in the amount of $151,000 from fiscal year 2007. The average loans receivable balance was $20.2 million in fiscal year 2009 compared to $27.1 million in fiscal year 2008. The average loans receivable balance was $24.8 million in fiscal year 2007. The decrease in interest income in fiscal year 2009 is the result of the reduction in the average loans receivable balance, and the increase in interest income in fiscal year 2008 is the result of the increase in the average loans receivable balance. Non-operating revenue is recognized on investments that are available for funding purposes. As referenced in Table 2, fiscal year 2009 net non-operating revenues totaled $1.9 million, a decrease of $499,000 from the previous fiscal year. The primary cause is the decline in the market value on the investments and decline in interest rates. The $539,000 decline in fiscal year 2008 from 2007 is also the result of the financial market. Program fees, included in other income, increased $37,000 from fiscal year 2008 as the MTFC adopted a new application fee structure in May 2008. Fiscal year 2008 saw little change from fiscal year 2007.

Expenses

In fiscal year 2009, operating expenses totaled $61,000, an increase of $13,000 from fiscal year 2008, while in fiscal year 2008 operating expenses decreased in the amount of $13,000 from fiscal year 2007. In fiscal year 2009, administrative fees increased $15,000 due to cost of living increases and additional hours charged by staff during the Resource Management reorganization. Administrative fees decreased in the amount of $12,000 in fiscal year 2008, due to fewer hours being spent on the MTFC activities as a result of staff turnover.

ECONOMIC AND OTHER FACTORS

The MTFC is an option for financing transportation projects. The Corporation expects a continuing increase in loan demand and, to satisfy the potential increased demand, the MTFC will continue to explore options for additional capitalization. Also, the MTFC is exploring ways to leverage its future cash flows to provide other financing options to entities, such as loan guarantees. The MTFC will manage cash flows to administer the loan commitments and, to the extent funds are available, any additional loan requests in future fiscal years.

CONTACTING THE MTFC

This financial report is designed to provide the Missouri Transportation Finance Corporation's interested parties, including citizens, taxpayers, customers, potential investors and creditors, with a general overview of the MTFC's finances and to demonstrate the MTFC's accountability for the money it receives. Questions about this report or requests for additional financial information should be addressed to Missouri Transportation Finance Corporation, P.O. Box 270, Jefferson City, Missouri 65102.

Financial Statements

Statements of Net Assets

June 30, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	$10,222,698	$ 2,837,657
Investments	---	6,665,143
Interest receivable - loans	437,347	394,999
Restricted assets:		
Cash and cash equivalents	5,138,011	902,178
Investments	23,184,466	40,890,595
Interest receivable – investments	566,445	501,395
Loans receivable, net	4,597,465	8,072,595
Total restricted assets	33,486,387	50,366,763
Total current assets	44,146,432	60,264,562
Noncurrent restricted assets		
Investments	21,113,324	16,182,098
Loans receivable, net	23,678,031	9,762,593
Total noncurrent restricted assets	44,791,355	25,944,691
Total Assets	88,937,787	86,209,253
Liabilities		
Accounts payable	4,290	4,283
Net Assets		
Restricted for lending purposes	78,277,742	76,311,454
Unrestricted net assets	10,655,755	9,893,516
Total Net Assets	$88,933,497	$86,204,970

The notes to the financial statements are an integral part of these statements

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2009 and 2008

	2009	2008
Operating Revenues		
Interest income on loans	$ 843,999	$ 1,063,983
Program fees	42,656	5,624
Total Operating Revenues	886,655	1,069,607
Operating Expenses		
Administrative fees	47,558	33,003
Professional fees	10,200	9,000
Travel and training	---	1,254
Other	2,931	4,803
Total Operating Expenses	60,689	48,060
Operating Income	825,966	1,021,547
Nonoperating Revenue (Expenses)		
Interest income on deposits	48,437	114,021
Investment earnings	2,157,568	1,513,220
Net appreciation (reduction) in fair value of investments	(239,719)	831,849
Investment fees	(63,725)	(56,706)
Net Nonoperating Revenues	1,902,561	2,402,384
Net Income	2,728,527	3,423,931
Net Assets, beginning of year	86,204,970	82,781,039
Net Assets, end of year	$88,933,497	$86,204,970

The notes to the financial statements are an integral part of these statements

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities		
Interest received on loans	$ 801,651	$ 923,470
Fees received for services	42,656	5,624
Loan disbursements	(18,839,696)	(8,102,481)
Principal received	8,399,388	14,780,754
Payments for administrative services	(47,551)	(35,959)
Other payments	(13,131)	(15,057)
Net cash provided by (used in) operating activities	(9,656,683)	7,556,351
Cash Flows From Investing Activities		
Interest on deposits	48,437	114,021
Interest on investments	2,092,518	1,484,076
Sale of investments	192,836,514	475,934,371
Purchase of investments	(173,636,187)	(483,576,162)
Investment fees	(63,725)	(56,706)
Net cash provided by (used in) investing activities	21,277,557	(6,100,400)
Net increase in Cash and Cash Equivalents	11,620,874	1,455,951
Cash and Cash Equivalents, Beginning of Year	3,739,835	2,283,884
Cash and Cash Equivalents, End of Year	$ 15,360,709	$ 3,739,835
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 825,966	$ 1,021,547
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Interest receivable - loans	(42,348)	(140,513)
Loans receivable, net	(10,440,308)	6,678,273
Accounts payable	7	(2,956)
Net Cash Provided by (used in) Operating Activities	$ (9,656,683)	$ 7,556,351
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	$ 10,222,698	$ 2,837,657
Restricted cash and cash equivalents	5,138,011	902,178
Total Cash and Cash Equivalents	$ 15,360,709	$ 3,739,835
Noncash Items Impacting Recorded Assets		
Increase (decrease) in fair value of investments	$ (239,719)	$ 831,849

The notes to the financial statements are an integral part of these statements

Notes to the Financial Statements

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies

The Missouri Transportation Finance Corporation (MTFC) was created by the Missouri Highways and Transportation Commission (the Commission), under Missouri General Not-for-Profit Corporation Law, Chapter 355 of the Revised Statutes of Missouri (RSMo), on August 23, 1996. The entity administers a program, in conformity with federal transportation laws, to provide financing and other assistance to public and private entities for highway and transportation projects in the State of Missouri.

(A) Reporting Entity

The MTFC is a component unit of the State of Missouri. The Commission has authority to remove any board member for cause, and therefore, may impose its will on the MTFC. The accompanying basic financial statements include only those operations related to the MTFC.

(B) Basis of Accounting

The MTFC accounts for its activities as a special-purpose government engaged in business-type activities. The accrual basis of accounting is utilized under which revenues are recognized when earned and expenses are recorded when liabilities are incurred. In applying the accrual concept to federal grant revenues and contributions, the legal and contractual requirements of the individual programs are used for guidance.

In reporting its financial activity, the MTFC applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements Interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the Committee on Accounting Procedure.

(C) Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash and repurchase agreements. Investments are reported at fair value. Restricted cash, cash equivalents and investments are set aside for lending purposes.

(D) Loans Receivable

Program loans are made and collected to fulfill the MTFC's responsibility to provide financing and other assistance to public and private entities for highway and transportation projects in the State of Missouri. Management has determined, based on prior experience and collateral pledged on the loans, that an allowance for uncollectible loans is not necessary. Loans receivable are restricted for lending purposes.

(E) Net Assets

Equity is categorized in the statements of net assets as restricted and unrestricted. Restricted net assets are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the MTFC's policy to use restricted resources first for program loans to provide financing and other assistance to public and private entities for highway and transportation projects in the State of Missouri. Unrestricted resources are used for operating expenses as needed.

(F) Classification of Operating and Nonoperating Revenue

The MTFC has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, including interest income on program loans made to entities as provided by federal transportation laws and program fees.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, including federal, state and local grants and contracts. Interest earned on deposits and investments is also classified as nonoperating revenue.

(G) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(H) Income Taxes

The MTFC submitted a request for ruling to the Internal Revenue Service. In response to that request, the IRS ruled the income of the MTFC is excludable from gross income for federal income tax purposes under Section 115 of the Code. The MTFC is required to file an annual income tax return on Form 1120.

(I) Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on net assets.

Note 2: Cash and Investments

(A) Deposits

The carrying amounts of cash and bank balances of the deposits for the MTFC at June 30, 2009 and 2008 were $15,360,709 and $3,739,835, respectively. Of the bank balances, $250,000 and $100,000 were covered by federal depository insurance at June 30, 2009 and 2008, respectively. As of June 30, 2009 and 2008, $15,110,709 and $3,639,835, respectively, were covered by collateral held by a third-party bank under a joint custody agreement.

(B) Investments

The MTFC's investment policy, approved by the Board, allows funds to be invested in time deposits, linked deposits, certificates of deposit, commercial paper, bankers' acceptances, repurchase and reverse repurchase agreements and United States Treasury and federal agency securities. The MTFC's investments are reported at fair value. At June 30, 2009 and 2008, the MTFC had $44,297,790 and $63,737,836, respectively, of unregistered government sponsored securities for which a financial institution's trust department holds the securities in the MTFC's name.

(C) Interest Rate Risk

The MTFC minimizes the risk that the fair value of securities in the portfolio will decline due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Funds are primarily invested in government agency securities or similar investment vehicles, which include options such as callable dates and mortgage payments. In the current market environment, the MTFC does increase yield by matching call dates to specific committed cash outflow dates in anticipation of the bond being called.

(D) Credit Risk

The MTFC minimizes credit risk by limiting investments to the safest types of securities as defined in Note 2 Cash and Investments, Section (B) Investments.

(E) Concentration of Credit Risk

The MTFC diversifies its investments to minimize the risk of loss resulting from over-concentration of assets in specific maturity, issuer or class of securities. The asset allocation is periodically reviewed by management.

At June 30, 2009, the MTFC's investments had the following average maturities:

Investment Type	Fair Value	Less than 1 year	1-3 years	3-5 years
Repurchase agreements	$15,360,709	$15,360,709	$ ---	$ ---
Government agency obligations	44,297,790	23,184,466	13,948,854	7,164,470

At June 30, 2008, the MTFC's investments had the following average maturities:

Investment Type	Fair Value	Less than 1 year	1-3 years	3-5 years
Repurchase agreements	$ 3,739,835	$ 3,739,835	$ ---	$ ---
Government agency obligations	63,737,836	47,555,738	11,179,248	5,002,850

At June 30, 2009 and 2008, the MTFC's investments were rated as shown below. This disclosure does not include repurchase agreements.

Investment Type	Moody's	Fair Value 2009	Fair Value 2008
United States agency obligations	Aaa	$44,297,790	$63,737,836

Note 3: Loans Receivable

Loans are entered into to provide financing for highway and transportation projects. Future revenues secure city or county loans. Public entity loans are secured by irrevocable letters of credit or designated funds. The receivable balance as of June 30, 2009 and 2008 consists of the following:

Principal and Interest Paid Monthly
Year ended June 30
(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Date	Fiscal Year 2009	Fiscal Year 2008
Bi-State Development Agency	07/07/00	07/31/10	5.490%	$ 723	$1,351
Provide the local share requirement for buses.	06/15/01	10/31/11	4.640	1,584	2,212
City of Lexington Rehabilitate South 24th Street between Highways 24 and 224 in the City of Lexington.	11/23/05	11/30/12	3.760	52	66
City of Lexington Rehabilitate South and Franklin Streets in the City of Lexington.	08/01/06	07/31/13	3.800	37	45

Principal and Interest Paid Semi-annually
Year ended June 30
(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Date	Fiscal Year 2009	Fiscal Year 2008
City of Grandview Finance the City's portion of constructing an outer road bridge as part of a new single point urban interchange at Route 71 and Route 150.	09/02/08	09/01/13	3.290%	$ 351	$ ---

Principal and Interest Paid Annually
Year ended June 30
(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Date	Fiscal Year 2009	Fiscal Year 2008
Highway 63 Transportation Corporation Add two lanes to Highway 63 between the City of Kirksville and the City of Macon.	04/07/03	07/01/09	3.232%	$ ---	$ 167
County of Madison Finance the County's portion of a cost share project to relocate Route 72 bypassing Fredericktown and Junction City and to refinance debt of related improvements.	09/28/07	03/01/19	4.200	3,252	1,012
City of St. Louis Construct Gateway Transportation Center to consolidate urban buses, intercity buses, light rail passenger, commercial space and parking.	10/26/07	01/31/18	4.200	4,171	4,500
City of Kansas City Construct a single point urban interchange in conjunction with the kcICON project.	12/21/07	11/19/17	4.200	3,827	2,000
City of Warrenton Add left turn lane to southbound Highway 47 and install traffic signals at the intersection of Highway 47 and Warrior Avenue.	02/28/08	02/28/11	3.910	423	482
City of Belton Finance the City's portion of a cost share project to improve existing interchange at Route 71 and Route Y and relocate the east outer road in Cass County.	12/03/08	12/01/18	4.860	2,602	---
City of Poplar Bluff Construct Shelby Road intersection at Westwood Boulevard and Business Route 67.	03/02/09	03/01/21	4.860	1,250	---
County of St. Louis Rebuild interchange at I-270 and Dorsett Road.	03/02/09	03/01/13	3.530	5,100	---
City of Pacific Accelerate the relocation of the I-44 eastbound ramp.	03/23/09	09/30/15	4.180	1,200	---
County of St. Louis Accelerate east access to and from I-64 at Spirit of St. Louis Boulevard.	03/24/09	08/02/10	3.910	1,393	---
Kansas City Power and Light Company Accelerate approach and replacement of Route 45 bridge over Burlington Northern Santa Fe Railway.	05/29/09	09/01/18	5.150	1,759	---
St. Francois County Special Road District #2 Replace the Commerce Street bridge.	06/12/09	03/01/17	4.030	367	---

Interest Only Paid Annually
Year ended June 30
(amounts in thousands)

Customer and Project Description	Loan Date	Maturity Date	Interest Date	Fiscal Year 2009	Fiscal Year 2008
Highway 179 Transportation Corporation Construct 179 extension from Highway 50 to Route B in the City of Jefferson.	11/01/02	08/01/08	3.380%	$ ---	$ 6,000
American Energy Producers, Inc. Finance the corporation's portion of a cost share project to construct right and left turn lanes on Highway 65.	07/31/08	08/02/10	4.200	184	---
Total				$28,275	$17,835

Annual loans receivable to maturity are indicated in the following schedule.
(amounts in thousands)

Year	Principal
2010	$ 4,597
2011	6,943
2012	4,306
2013	3,926
2014-2018	8,125
2019-2023	378
Total principal	$ 28,275

Loans receivable are included in the accompanying statements of net assets, as follows:
(amounts in thousands)

	2009	2008
Current loans receivable	$ 4,597,465	$ 8,072,595
Noncurrent loans receivable	23,678,031	9,762,593
Total loans receivable	$ 28,275,496	$ 17,835,188

Note 4: Accounts Payable

Accounts payable represent reimbursements payable for personnel and administrative expenses to the Missouri Department of Transportation (MoDOT).

Note 5: Restricted Net Assets

The MTFC received money from federal grants, which is restricted for lending purposes only. The grants required a state transportation funding match, which, with interest earned on investments, is also restricted.

	2009	2008
Current restricted assets	$ 33,486,387	$ 50,366,763
Noncurrent restricted assets	44,791,355	25,944,691
Total restricted assets available for lending purposes	$ 78,277,742	$ 76,311,454
Restricted assets committed for executed loans	$ 53,525,151	$ 46,718,018
Restricted assets uncommitted	24,752,591	29,593,436
Total net assets restricted for lending purposes	$ 78,277,742	$ 76,311,454

Note 6: Risk Management

The MTFC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions for which the MTFC carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liabilities were reported at June 30, 2009 or 2008. The MTFC has had no settlements in the last three years.

Note 7: Loan Commitments and Loans Approved

At June 30, 2009 the MTFC had loan commitments totaling $53.5 million that were approved and executed but not disbursed. Four of the loan commitments have had partial disbursements with the following remaining payouts:

Principal and Interest Paid Annually
(amounts in thousands)

Customer and Project Description	Approved Date	Executed Date	Interest Rate	Loan Length	Amount
U.S. Highway 36 – Interstate 72 Corridor – Transportation Development District Construct two additional lanes of approximately 52 miles on Route 36.	09/28/06	04/04/08	3.990%	15 years	$ 35,000
County of Madison Finance the County's portion of a cost share project to relocate Route 72 bypassing Frederickstown and Junction City and to refinance debt of related improvements.	06/21/07	09/19/07	4.200	10 years	1,121
City of Kansas City Construct a single point urban interchange in conjunction with the kcICON project.	06/21/07	12/19/07	4.200	10 years	6,000
Kansas City Power and Light Company Accelerate approach and replacement of Route 45 bridge over Burlington Northern Santa Fe Railway.	06/21/07	05/27/09	5.150	10 years	4,442
City of Poplar Bluff Construct Shelby Road intersection at Westwood Boulevard and Business Route 67.	11/06/08	02/25/09	4.860	13 years	3,962
City of Joplin Improve the intersection of Route FF and Prigmor Avenue.	01/30/09	06/29/09	3.500	3 years	3,000
Total loan commitments					$ 53,525

On December 15, 2003, the MTFC approved a line-of-credit for the Missouri Highways and Transportation Commission. The maximum amount available on the line-of-credit is the total uncommitted balance of the MTFC accounts. The primary purpose of the line-of-credit is to finance projects eligible in conformity with Federal transportation laws in the event of federal reimbursement delays for State Road Fund Projects. The Commission will make a lump-sum repayment of principal and interest three months after the loan is advanced. At June 30, 2009 and 2008 no advances had been made to the Missouri Highways and Transportation Commission on the line-of-credit.

At June 30, 2009 loan agreements of approximately $11.0 million have been approved but have not been executed; therefore, the funds have not been disbursed. The details of some loan agreements, including timing of disbursements, have not been finalized with the loan recipients. These consist of the following:

Principal and Interest Paid Annually
(amounts in thousands)

Customer and Project Description	Approved Date	Projected Disbursement Date	Interest Rate	Loan Length	Amount
Show-Me Ethanol LLC Construct right and left turn lanes on Route 24.	11/06/08	01/30/10	3.180%	2.5 years	$ 178
Highway 179 Transportation Corporation Construct a new interchange on Route 179 between Edgewood Drive and Route C.	11/06/08	10/01/09	3.390	3 years	1,900
City of Rogersville Complete an interchange at Routes 60, B and VV interchange.	05/05/09	08/01/09	4.470	10 years	726

Principal and Interest Paid Semi-annually
(amounts in thousands)

Customer and Project Description	Approved Date	Projected Disbursement Date	Interest Rate	Loan Length	Amount
City of Columbia Finance the local portion of a cost-share project to construct improvements on Route 740, also known as Stadium Boulevard. The project consists of widening Route 740 from a five-lane undivided roadway to a six-lane divided roadway.	02/06/07	06/01/12 12/01/13	3.920%	10 years	$ 6,300 1,900 8,200
Total loans approved					$11,004

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Statistical Section

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Statistical Section

Note:

The objective of this statistical section is to provide users with a historical perspective by presenting information for multiple years. Over time, data for the most recent ten years will be presented. However, in some cases schedules originate with the year the MTFC began tracking the information or it became administratively feasible to report retroactively.

Financial Trends
Changes in Net Assets

Years Ended June 30
(amounts in thousands)

	2009	2008	2007
Operating Revenues			
Interest income on loans	$ 844	$1,064	$ 913
Program fees	43	6	5
Total Operating Revenues	887	1,070	918
Operating Expenses			
Administrative fees	48	33	45
Professional fees	10	9	8
Travel and training	---	1	4
Other	3	5	4
Total Operating Expenses	61	48	61
Operating Income	826	1,022	857
Nonoperating Revenues (Expenses)			
Interest income on deposits	49	114	230
Investment earnings	2,158	1,513	1,371
Net appreciation (reduction) in fair value of investments	(240)	832	1,395
Investment fees	(64)	(57)	(55)
Net Nonoperating Revenues	1,903	2,402	2,941
Change in Net Assets	$2,729	$3,424	$3,798

2006	2005	2004	2003	2002
$1,154	$1,262	$1,019	$ 967	$1,231
3	3	1	---	2
1,157	1,265	1,020	967	1,233
36	50	59	33	31
8	8	10	10	15
2	---	---	---	---
1	9	1	1	1
47	67	70	44	47
1,110	1,198	950	923	1,186
401	408	545	672	981
531	229	---	---	---
760	96	---	---	---
(28)	---	---	---	---
1,664	733	545	672	981
$2,774	$1,931	$1,495	$1,595	$2,167

Financial Trends
Net Assets

Years Ended June 30
(amounts in thousands)

	2009	2008	2007	2006	2005	2004	2003	2002
Restricted	$78,278	$76,311	$73,852	$70,856	$69,164	$68,425	$67,883	$67,184
Unrestricted	10,656	9,894	8,929	8,127	7,045	5,853	4,900	4,004
	$88,934	$86,205	$82,781	$78,983	$76,209	$74,278	$72,783	$71,188

Revenue Capacity
Average Fair Value of Investments and Average Yields on Investments Held on Behalf of the MTFC

Years Ended June 30
(amounts in thousands)

Fiscal Year	Average Monthly Fair Value of Investments	Monthly Weighted Average Yield on Investments
2009	$ 56,901	3.35%
2008	52,144	4.54
2007	51,010	5.17
2006*	38,942	4.08

* Only includes October through June

Source: Financial Institution

Revenue Capacity
Net Loans Receivable by Fiscal Year

Years Ended June 30
(amounts in thousands)

Fiscal Year	Net Loans Receivable	Weighted Average Interest Rate
2009	$ 28,275	4.25%
2008	17,835	2.88
2007	24,513	3.76
2006	29,785	3.60
2005	34,958	3.52
2004	33,654	3.61
2003	32,616	3.51
2002	30,281	3.30

Source: Weighted average interest rate calculated by Missouri Department of Transportation, Resource Management staff

Demographics and Economic Information Population, Personal Income and Unemployment Rate – State of Missouri

Years Ended December 31
(amounts in thousands)

Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2008	5,912	$205,288,000	$35	6.0%
2007	5,878	198,757,000	34	5.1
2006	5,838	188,399,000	32	5.2
2005	5,788	178,036,000	31	6.3
2004	5,745	170,392,000	30	5.9
2003	5,706	164,163,000	29	5.9
2002	5,676	160,014,000	28	5.7
2001	5,642	155,843,000	28	4.8
2000	5,606	149,979,000	27	3.2
1999	5,468	140,867,000	26	3.4

Sources:

Population: United States Department of Commerce, Census Bureau

Personal Income, Per Capita Personal Income and Unemployment Rate: United States Department of Commerce, Bureau of Economic Analysis

Demographics and Economic Information
Employment Sectors – State of Missouri

Years Ended December 31
(amounts in thousands)

	2008			1999		
	Employees	Rank	Percentage	Employees	Rank	Percentage
Trade, transportation and utilities	552	1	20%	551	1	20%
Government	445	2	16	418	2	15
Education and health services	389	3	14	330	4	12
Professional and business services	343	4	12	312	5	11
Leisure and hospitality	295	5	10	269	6	10
Manufacturing	291	6	10	376	3	14
Financial activities	166	7	6	159	7	6
Construction, natural resources and mining	157	8	6	146	8	5
Other services	121	9	4	113	9	4
Information	64	10	2	75	10	3
Total	2,823		100%	2,749		100%

Source: United States Department of Labor, Bureau of Labor Statistics

Operating Information
Approved Loans by Fiscal Year

Years Ended June 30
(dollar amounts in thousands)

Fiscal Year	Number of Loans Approved	Total Approved Loan Amount
2009	11	$23,724
2008	3	10,284
2007	14	95,781
2006	2	8,060
2005	2	897
2004	1	500
2003	2	25,673
2002	1	4,000
2001	0	---
2000	3	13,243
1999	3	8,209

Source: Missouri Department of Transportation, Resource Management database

Not all loans approved by the MTFC board are executed or disbursed.

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Other Information

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Missouri Transportation Finance Corporation
Jefferson City, Missouri

We have audited the financial statements of the business-type activities of the Missouri Transportation Finance Corporation (the Corporation), a component unit of the State of Missouri, as of and for the year ended June 30, 2009, and have issued our report thereon dated August 21, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Williams-Keepers LLC

August 21, 2009